
SARUP TANNERIES LTD.

**ANNUAL REPORT
AND
ACCOUNTS
2004-2005**



P.O. Ramadaspora, JALANDHAR - 144003, PUNJAB (INDIA)

SARUP TANNERIES LIMITED

DIRECTORS	:	BAWA ATAMJIT SINGH
	:	Mrs. MANJIT BAWA
	:	Mr. G.S. BEDI
	:	BAWA SIMERJIT SINGH
	:	Col. GURCHARAN SINGH (Retd.)
	:	Col. SURAT SINGH BAJWA (Retd.)

AUDITORS	:	M/s. Y.K. SUD & CO.
	:	DURGANIWAS
	:	OPP. FRIENDS CINEMA
	:	JALANDHAR - 144 001

LEGAL ADVISOR	:	Mr. V.K. SAREEN
	:	7, NEW RAJENDRA NAGAR
	:	POLICE LINES ROAD,
	:	JALANDHAR

REGISTERED OFFICE AND FACTORY	:	P.O. RAMDASPURA
	:	JALANDHAR - 144 003

OTHER FACTORY	:	(1) PLOT NO. 141
	:	LEATHER COMPLEX
	:	KAPURTHALA ROAD
	:	JALANDHAR
	:	(2) Unit No. IV, Vill, Dherowal
	:	P.O. Majholi. Distt. Solan (H.P.)

BANKERS	:	PUNJAB & SIND BANK
	:	I.B.D. BRANCH
	:	NEHRU GARDEN ROAD
	:	JALANDHAR - 144 001

SARUP TANNERIES LIMITED**NOTICE OF THE ANNUAL GENERAL MEETING**

The TWENTY SIXTH ANNUAL GENERAL MEETING of SARUP TANNERIES LIMITED will be held at the Registered Office of the company at P.O. Ramdaspora, Jalandhar on Friday, the 30th day of September 2005 at 10.30 AM to transact the following business:

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005, the Profit & Loss Account for the year ended on that date and the Report of the Auditors and Directors thereon.
- 2 To declare dividend for the year 2004-2005.
- 3 To appoint a Director in place of Col. Gurcharan Singh, who retires by rotation and, being eligible, offers him self for re-appointment.
- 4 To appoint a Director in place of Col. Surat Singh Bajwa, who retires by rotation and, being eligible, offers him self for re-appointment.
- 5 To appoint Statutory Auditors by passing the following ordinary resolution with or without modifications:

"RESOLVED THAT pursuant to the provisions of Section 224A of the Companies Act, 1956, M/S Y.K. Sud & Company, Chartered Accountants, 6, Durga Niwas, Civil Lines, Jalandhar, be and are hereby appointed as statutory auditors of the company for the year ending 31st March, 2005 and to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration to be decided by Board of directors of the Company.

SPECIAL BUSINESS

- 6 To consider if thought fit to pass with or without modification(s) the following resolution as Special Resolution.

"RESOLVED THAT pursuant to the provisions of clause 5.2 of the Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003, Listing Agreements entered into by the Company with various Stock Exchanges, the Companies Act, 1956, the Securities Contract (Regulation) Act, 1956, and other applicable provisions, rules, regulations, guidelines, if any, and subject to such approvals, permissions and sanctions, as may be necessary or required, the consent of the members of the Company be and is hereby accorded to the proposed de-listing of the equity shares of the Company from the Delhi Stock Exchange Association Ltd at New Delhi (DSE) and The Ludhiana Stock Exchange Association Limited at Ludhiana (LSE) in terms of the following:

I. NECESSITY AND OBJECTS OF DE-LISTING:

- a. There has been insignificant/negligible trading in the equity shares of the Company on DSE and LSE (hereinafter collectively referred to as "these stock exchanges") in the last few years.
- b. The Company has been incurring precious resources by way of payment of listing fee etc. due to listing on these stock exchanges which is not justified in comparison with the benefits/ services available to the share holders of the Company in particular and investors in general. Hence there is no cost benefit to the Company.
- c. The Company could save monetary and other resources by de-listing from these stock exchanges without sacrificing the investors' interest.
- d. The proposed de-listing will also result in reduction in administrative and procedural work. Thus, resulting in saving of precious time of senior executives of the Company whose services can be deployed in other productive avenues.

SARUP TANNERIES LIMITED

- II. *The Equity Shares of the Company shall continue to be listed on the Stock Exchange, Mumbai at Mumbai (BSE).*
- III. *Since the Company shall remain listed on the BSE which has a nation wide trading mechanism, the interest of the investors will not be affected adversely.*
- IV. *In terms of the SEBI De-listing Guidelines, no exit offer is required to given to the share holders of the Company in connection with the proposed de-listing from these stock exchanges. Accordingly, the Company has no intention to give an exit option to the share holders of those regions where the stock exchanges are situated, from which de-listing is sought.*

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to take all the necessary steps in this regard and to do all such acts, deeds and things and to execute all such deeds, documents, writings as it may, in its absolute discretion, deem necessary, proper, desirable or expedient and for this purpose to authorize any of its directors or the company secretary of the Company or any other person, whom the Board considers suitable to do the various acts, deeds and things required to be done in this behalf."

- 7 To Consider if thought fit to pass with or without modification(s) the following resolution as Ordinary Resolution:

"RESOLVED that subject to the Provisions of Sec. 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (as amended, from time to time or any statutory modifications or re-enactment thereof, for the time being in force) and subject to approval of the Members of the Company in general meeting, consent of Board of Directors be and is hereby accorded to the appointment of Mr. Bawa Atamjit Singh as Managing Director of the Company for a term of five years commencing from 1st October, 2005 on remuneration package and other terms and conditions duly approved by Remuneration Committee as mentioned in the explanatory statement.

- 8 To Consider if thought fit to pass with or without modification(s) the following resolution as Ordinary resolution

"RESOLVED that subject to the Provisions of Sec. 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (as amended, from time to time or any statutory modifications or re-enactment thereof, for the time being in force) and subject to approval of the Members of the Company in general meeting, consent of Board of Directors be and is hereby accorded to the appointment of Mr. Simerjit Singh as Director of the Company for a term of five years commencing from 1st October, 2005 on remuneration package and other terms and conditions duly approved by remuneration committee as mentioned in the explanatory statement.

Place : Jalandhar
Date : 16th August, 2005

By order of Board of Director
for Sarup Tanneries Ltd.,

BAWA ATAMJIT SINGH
Managing Director

SARUP TANNERIES LIMITED**NOTES**

- I A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on a poll on his behalf and such proxy need not be a member of the company. A proxy may be sent in the form enclosed and in order to be effective must reach the registered office of the company at least 48 hours before the commencement of the meeting.
- II Balance Sheet as at 31st March, 2005 and the Profit & Loss Account for the year ended on that date together with the Directors' & Auditors Report are enclosed.
- III The Register of Members and share transfer books of the company shall remain closed from 21st September 2005 to 30th September 2005 (both days inclusive) for the purpose of determining entitlement of dividend as may be declared by the company.
- IV The unclaimed dividends upto the Company's financial year 1995-96 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants for the said years are requested to claim the amount from Registrar of Companies, (Punjab, H.P and Chandigarh), Garha Road, Jalandhar (Punjab).

Pursuant to sections 205A to 205C of the Companies Act, 1956, any money transferred to the unpaid dividend account which remains unpaid or unclaimed for a period 7 years from the date of such transfer shall be transferred by the company to the fund called "Investor Education and Protection Fund" to be set up by the Central Government. Accordingly, the unpaid/ unclaimed dividend for the years 1997-98 onwards will become transferable at the end of seven years respectively, to the said Investor Education and Protection Fund and no claims shall be against the fund or the company in respect of individual amounts thereafter. Shareholders are, therefore, requested to check up and send their claims, if any, for the relevant years from 1997-98 onwards before the respective amounts become due for transfer to the above fund.

- V Members are requested to notify changes in their address, if any, quoting their folio number to the Registered Office of the Company.
- VI Members are requested to bring the copy of their Annual Report with them at the Annual General Meeting.
- VII Shareholders desiring any information as regards the Accounts are requested to write to the company at least seven working days prior to the meeting so as to enable the management to keep the information ready.

Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956:

ITEM NO.6:

Presently the Equity Shares of the Company are listed on a Stock Exchange, Mumbai (BSE), The Delhi Stock Exchange Ltd. (DSE), the Ludhiana Stock Exchange Ltd. (LSE), as the trading in Equity Shares of Company in DSE and LSE is almost negligible. It is proposed to get the Equity shares of the Company delisted from DSE and LSE and your approval is solicited accordingly.

At the time of the maiden public issue of the Company, there was a trend to go for listing on various stock exchanges to enable the investors spread over the length and breadth of the country to trade in the shares of the Company on the local stock exchange. Accordingly, your Company opted for the listing on the major stock exchanges in each region of the country. However, the scenario has been changed in the last 8-9 years. The BSE and the National Stock Exchange (NSE) have established countrywide trading mechanism. In fact, most of the secondary market operations are on these two stock exchanges.

Recently the Securities and Exchange Board of India (SEBI) came out with new guidelines for de-listing of securities namely, the Securities and Exchange of India (De-listing of Securities) Guidelines, 2003. These Guidelines, inter alia, provide the following:

- I A company can seek voluntary de-listing of its securities from various stock exchanges of the country including the regional stock exchange.
- I In case, securities of a company are remained to be listed on the BSE and/or the NSE (exchanges with nation wide trading mechanism), no exit offer is required to given to the share holders of the Company.
- The de-listing proposal must be approved by the share holders by way of special resolution.

Since, Sarup Tanneries Ltd is also listed on the BSE, it is proposed to get it de-listed from all other exchanges- DSE and LSE.

SARUP TANNERIES LIMITED**NECESSITY AND OBJECTS OF DE-LISTING:**

The de-listing is proposed in view of the aforesaid general back ground and the following specific factors:

- a. There has been insignificant/ negligible trading in the equity shares of the Company on DSE and LSE in the last few years.
- b. The Company has been incurring precious resources by way of payment of listing fee etc. due to listing on these stock exchanges which is not justified in comparison with the services available to the share holders of the Company in particular and investors in general. Hence there is no cost benefit to the Company.
- c. The Company could save monetary and other resources by de-listing from these stock exchanges without sacrificing the investors' interest.
- d. The proposed de-listing will also result in reduction in administrative and procedural work. Thus, resulting in saving of precious time of senior executives of the Company whose services can be deployed in other productive avenues.

Since the Company shall continue to be listed on the BSE which has a nation wide trading mechanism, the interest of the investors will not be affected adversely.

In terms of the SEBI De-listing Guidelines, no exit offer is required to be given to the share holder of the Company in connection with the proposed de-listing. Accordingly, the Company has no intention to give an exit option to the share holders of those regions where the stock exchanges are situated, from which de-listing is sought.

ITEM NO. 7 and 8

Appointment of Bawa Atamjit Singh as Managing Director

Bawa Atamjit Singh was appointed as the Jt. Managing Director of the company w.e.f. 29.09.2004 in the Annual General Meeting held on September 29, 2004 for next 5 year. Bawa Atamjit is managing the whole of the affairs of the company as Joint Managing Director of the Company. He has technical and administrative experience of more than 25 year in the company. The Board has decided to elevate him as Managing Director w.e.f 1.10.2005 for a period of 5 years. The package offered to him is within the ceiling prescribed under Schedule XIII to the Companies Act, 1956 which has been approved by the Remuneration Committee as under:

- (a) Salary: 16500/- (Rupees Sixteen Thousand Five Hundred only) per month in the scale of 16000-25000.
- (b) Perquisites : Perquisites mentioned at part A, B and C will be in addition to salary.

Appointment of Bawa Simerjit Singh as Whole Time Director

Bawa Simerjit Singh was reappointed as a whole time director w.e.f. 29.09.2000 for a period of 5 years and his tenure expires on the 29.09.2005. He has attained expertise in designing & development of shoes and also in marketing activities. He has done a shoe-designing course from ARS Sutoria, Institute Technico Interuazionale Arte Calzaturiera, Milon Italy and has done practical training with leading shoe manufacturers in Europe. He is rendering excellent services in product designing & development to the Company for the last many years. He is proposed to be reappointed as a Whole Time Director of the company w.e.f. 1.10.2005 for next 5 years. The package offered to him is within the ceiling prescribed under Schedule XIII to the Companies Act, 1956 which has been approved by the Remuneration Committee as under:

- (a) Salary: 20,000/- (Rs. Twenty Thousand Only) per month in the scale of 20000-25000.
- (b) Perquisites : Perquisites mentioned at part A, B and C will be in addition to salary.

PART - A

- a) Company owned furnished accommodation. Cost of furnishing will be treated as per Income tax rules, 1962
- b) In case the company cannot provide its own accommodation expenditure on hiring unfurnished accommodation will be subject to the ceiling of 50% (fifty percent) of salary over and above 10 % (ten percent) payable by the Director. or
- c) In case no accommodation is provided by the company. House Rent allowance subject to salary in (b) above. Provisions of gas, electricity, water & furnishing, to be value as per the Income tax rules, 1962 subject to a ceiling of 10% (ten percent) of salary.

SARUP TANNERIES LIMITED**MEDICAL REIMBURSEMENT**

Expenses incurred for self and family, the total cost of which to the company shall not exceed one-month salary per year or three months salary in period of three year

LEAVE TRAVELL CONCESSION

For self and family once in a year incurred in accordance with the Rule of the Company

CLUB FEES

Fees of club subject to a maximum of two clubs, except admission and life membership fees.

PERSONEL ACCIDENT INSURANCE

Premium not exceeding Rs. 1000/- per annum.

MEETING FEES

As may be prescribed by the Board from time to time.

PART - B**PROVIDENT FUND/SUPERANNUATION FUND/ANNUITY FUND**

Company's contribution to provident fund Super Annuation Fund, or Annuity Fund will not be considered or included for the computation of ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act 1961.

GRATUITY

Gratuity payable shall not exceed 15 Days salary for each completed year of service or part thereof subject to ceilings as may be prescribed by the Income Tax Act and Rules 1961.

PART - C**CAR**

a) Free use of car with driver, however the use of office car for private purpose will be billed by the company and/or

b) In the event of using his own car for official purposes, reimbursement of expenses incurred thereon

TELEPHONE

The company will provide bill free telephone facility at residence, however personal long distance calls will be billed by the company.

MINIMUM REMUNERATION:

In the event of loss or inadequacy of profits in any financial year, shall be paid remuneration and be granted the perquisites, as per the provisions contained in Schedule XIII to the Companies Act, 1956, as amended from time to time or any statutory modifications or re-enactment thereof, for the time being in force.

The Board of Directors are further authorized to vary, alter, increase, expand, enhance, enlarge or widen the remuneration and perquisites, including the monetary value thereof to the extent specified in Schedule XIII to the Companies Act, 1956, as amended from time to time or any statutory modifications or re-enactment thereof, for the time being in force and as may be agreed between the Board of Directors and Mr. Bawa Atamjit Singh and Mr. Bawa Simerjit Singh and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this resolution. Bawa Atamjit Singh, Bawa Simerjit Singh and Mrs. Manjit Bawa are deemed to be interested in this resolution.

Place: Jalandhar
Date : 16th Aug 2005

By order of Board
for Sarup Tanneries Ltd.
BAWA ATAMJIT SINGH
Managing Director

SARUP TANNERIES LIMITED**DIRECTORS REPORT**

Dear Shareholders,

Your Directors are pleased to present the Twenty Sixth Annual Report together with the Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

		Current Year ended 31.3.2005	Previous Year ended 31.3.2004 (Fig.in Lacs)
<u>INCOME & PROFITS</u>			
Sales & Other Income		2721.30	2790.46
Profit before Interest	(a)	209.31	236.16
Interest		68.04	69.45
Depreciation		84.94	83.33
		<hr/>	<hr/>
		152.98	152.78
Exceptional Item (Loss)		395.40	--
		<hr/>	<hr/>
	(b)	548.38	152.78
Profit before tax	(a)-(b)	(339.07)	83.38
Less: Provision for Taxation - Current		---	33.85
- Deferred		(3.42)	(2.54)
		<hr/>	<hr/>
Profit after tax		(335.65)	52.07
Surplus b/fd		653.59	664.09
Others		4.28	34.57
		<hr/>	<hr/>
Balance of P&L B/F		322.22	750.73
		<hr/>	<hr/>
Proposed Dividend		39.02	45.53
Income Tax Provisions of Pr. Year		--	--
Interim Dividend		--	--
Dividend Tax on Proposed Dividend		5.48	6.01
Dividend Tax on Interim Dividend		--	--
Transfer to General Reserve		10.00	10.00
Income Tax & Tds Adj/ Wealth Tax Prov.		5.86	35.60
		<hr/>	<hr/>
SURPLUS CARRIED TO BALANCE SHEET		261.86	653.59
		<hr/>	<hr/>
		322.22	750.73
		<hr/>	<hr/>

Your Board of Director have pleasure to inform you that our new plant at Unit No. IV vill. Dherowal, P.O. Majholi, Distt. Solan (H.P.) have started functioning and commercial production with effect from January 2005.

Your Company have registered total sale of Rs. 2665.55 Lacs in the year ended on 31 March 2005 as compared to last year which was of Rs. 2728.64 Lacs. Out of current year sale, sales effected from new unit no. IV is for Rs. 96.24 Lacs and the Net Profit registered of Rs. 18.48 Lacs. It is hoped that with the new unit coming in full swing the turnover of the company will increase substantially.

The wholly owned subsidiary (WOS) of the company, M/s Sarup Footwear Assembly Corporation at Lawrence (USA) went into heavy losses pursuant to consequences of September 11, 2001 happenings in USA. The investment of Rs. 8.76 Lacs in Equity Shares of Subsidiary and Rs. 386.64 Lacs as Loans/ advance to Subsidiary have become Bad and have been written off with the permission of Reserve Bank of India.

SARUP TANNERIES LIMITED

Your Company have earned a Net Profit of Rs. 56.53 Lacs in the year ended on 31st March 2005 as against Profit of Rs. 83.38 lacs in the previous year, other than unanticipated loss of Rs. 395.40 Lacs. The Net Loss comes to Rs. 338.87 Lacs. The Loss of WOS is one time unprecedented loss which has been absorbed by Profit & Loss account having sufficient opening balance in the tone of Rs. 653.59 Lacs. The balance in Profit and Loss after setting of the loss of Rs. 395.40 of the WOS and other provisions is Rs.262.06.

DIVIDEND

Although the WOS of the company has suffered a loss and the company has to write off a sum of Rs. 395.40 lacs during the current financial year, yet the company is anticipating higher turnover and substantial increase in profits in the current and coming years. The New plant at Dherowal having manufacturing facilities for top brands has started functioning and will increase substantially. The Board keeping in view the above circumstances has proposed a dividend of Rs. 1.20 per share for the year 2004-2005. The amount of dividend and the tax thereon will aggregate to Rs. 44.50 lacs.

DIRECTORS

Col. Gurcharan Singh and Col. Surat Singh Bajwa retire by rotation and being eligible offer themselves for reappointment. The Board commends their appointment. Mr. Sham Sunder Aggarwal resigned from directorship which was accepted by the Board on July 30, 2005. The Board place on record the appreciation of the valuable guidance and support given by Mr. Aggarwal.

Report  junction.com

SARUP TANNERIES LIMITED

Energy conservation has remained an area of high priority for the company. The deployment of latest technology in the manufacturing process helped the company in controlling and saving the energy consumption. Employee awareness has also been increased through constant guidance.

The Auditors of the company Messrs Y.K. Sud & Co., have retired and offer themselves for re-appointment. The Board commends their reappointment. The Note referred to in Auditor's Report are self explanatory and do not require any further comments.

The Board have appointed M/s Vema, Verma & Associates as Cost Auditor for the year 2004-05 in Pursuence of section 233-B of the Compy's Act 1956.

The employees of the company has worked with dedication and commitment during the year and have made an excellant contribution to achieve the high level of profitability. The Board wishes to record its deep appreciation to all employees of the company. The Board also wishes to place on record their thanks to the Bankers and suppliers for the trust and confidence reposed and to the Customers for their valuable patronage.

There is no employee whose particulars are required to be given under section 217(2A) of the Companies Act, 1956 and the Companies(particulars of employees) Rules, 1975. Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of particulars in the Report of Board of Directors) Rules, 1988, is given in Annexure-A annexed hereto, forms part of this Report.

Directors Responsibility Statement

Pursuant to the Sec 217(2AA) of the Companies (Amendment) Act, 2000 the Director confirm that :

- (i) in preparation of the Balance Sheet and the profit & Loss Account of the Company the applicable accounting standards had been followed along with proper explanation relating to material departures
- (ii) the Director had selected such accounting policies and applied them consistently and made judgments and estimates that are resonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company and for preventing and detecting fraud other irregularities.
- (iv) the Directors had prepared the annual accounts on a "going concern basis".

The stocks of the company is available for the trading in dematerialised shape on the stock exchanges.

The equity share of the Company are listed on the following Stock Exchanges and that the annual fees for the year 2005-2006 has been duly paid.

The Ludhiana Stock Exchange Association Limited, Feroze Gandhi Market, Ludhiana - 141 001

The Stock Exchange Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001

The Delhi Stock Exchange Association Limited, 3 & 4/4B, Asaf Ali Road, New Delhi - 110 002

Place : Jalandhar
Dated : 30th July 2005

for & on BEHALF OF THE BOARD
BAWA ATAMJIT SINGH
Chairman